

Downtowns and the 21st Century Economy

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It is already a cliché, of course, but the world really did change forever on September 11th. What impact will those events have on downtowns in the 21st Century? Anyone who says today that they know what's going to happen has allowed their arrogance to overpower their expertise. Anyone with the least intellectual integrity simply has to say, "I have no idea."

But there are two important lessons we have learned from these events; or perhaps more accurately that we have relearned. First, buildings can have meanings. Important buildings are symbols. Buildings can reflect values. Now let's put aside for the moment what the World Trade Center and the Pentagon symbolize for us and think what they must have represented to the terrorists – American global capitalism and American military power. They attacked the buildings they saw as symbols of those meanings. If their only aim had been to kill people those four planes would have been hijacked on a Sunday and crashed into football stadiums, but that wasn't done. But look at what else they didn't target – a shopping center, often seen as the representation of so called American consumer decadence. Why didn't they strike a shopping center? Because the buildings themselves have no meaning. They are pieces of crap. They are exactly what the sociologist E.V. Walter meant when he wrote, "For the first time in human history people are systematically building meaningless places." So lesson one from September 11th – buildings can be powerful symbols, but most buildings are not.

Lesson two is this: there is something incredibly important about public spaces. Here was this horrendous event. One might have speculated that everyone would want to go home, bolt the doors, and curl up in bed in the prenatal position. Instead what did we do, all over America? We gathered together in public spaces. We wanted, we needed to be with other people. And importantly other people not exactly like us. We didn't gather inside the private space of department stores or hotel lobbies. We gathered on the street, we gathered in parks, we gathered in public squares.

What does this have to do with downtown? Everything! Where are the buildings with meaning in your community – the buildings that were built to reflect symbolic values? The vast majority of them are downtown. Where are the public spaces in your community – the places where people gather to celebrate or mourn or protest? The vast majority of them are downtown. So I don't think it is overreaching to suggest that if downtown is to be important in the 21st century it must maintain those two roles – the concentration of buildings with symbolic meanings and the locus of public gatherings. What we in this country call “downtown” most of the world calls the “city center”. I think that is a better phrase, actually, because the downtown ought to be the center of the city in a multitude of ways.

I don't know the future of downtowns in the 21st century, but I do know two forces that will impact their future, whatever it is – globalization and diversity.

First globalization. On one side promoting globalization you have virtually all national governments, the World Bank, the IMF, multinational corporations, and the world's finance ministers, regardless of political system. On the other side opposing globalization there is a growing coalition of social activists, environmentalists, much of the traditional left, a few labor unions, anarchists and some right-wing ideologues. What few on either side understand is that there is not one globalization but two – economic globalization and cultural globalization. For those few that recognize the difference, there is an unchallenged assumption that the second is an unavoidable outgrowth of the first.

Globalization is certainly not brand new; it has been taking place for a number of years. But almost daily we are realizing how we have underestimated the significance of globalization in our local economies. The tenth year of economic troubles in Japan isn't because of excess globalization but because of excess protectionism. Those protesters in Seattle and Prague, in Genoa and Washington are simply wrong. On any humanitarian grounds economic globalization is essential. A third of the world's population goes to bed hungry every night – the vast majority of them people of color. The starting salary today in the U.S. of a brand new MBA graduate is \$84,000. That is three times the lifetime earnings of half the world's population. I'm not a crusader here. But you'll never be able to tax industrial nations enough to end that hunger. Furthermore, developed countries are approaching the saturation point for the consumption of basic goods.

The only way out for the developing world is to produce goods and services that others will buy and in doing so generate enough income to provide markets for American goods and services. You can be for it or against it, but a globalized economy is here and those who choose to opt out of the global economy for reasons of parochial interests, provincial ideology, projectionist isolationism or political IOUs will doom their citizens to sit on the sidelines of the 21st Century economy. The protesters may claim the high moral ground, but devolving to a nationalistic, protectionist, paternalistic environment will mean economic isolation and the permanent prison of poverty for most of the world's population.

What does economic globalization have to do with downtown? The most significant impacts of the global economy will not be at the national or even the state level. The biggest impacts will be local. Akito Marito, founder of Sony, called it "Global Localization". I recently heard the mayor of Columbus, Indiana, (population 39,000) talking about the overseas recruiting trips he takes to attract international firms to his city. He was very clear: "We're not recruiting them to Indiana or even the United States, but specifically to Columbus." The definition of what "economic development" means needs to be a local one. It needs to be specific and measurable. Many local economic development yardsticks in the 21st Century will be qualitative rather than quantitative. Local response to globalization will necessitate identifying local assets (human, natural, physical, locational, functional, cultural) that can be utilized to respond to globalization. Those assets need to be first identified, then protected, then enhanced. In *Post-Capitalist Society*, business guru Peter Drucker writes, "Tomorrow's

educated person will have to be prepared for life in a global world. He or she must become a “citizen of the world” – in vision, horizon, information. But he or she will also have to draw nourishment from their local roots and, in turn, enrich and nourish their own local culture”.

While Microsoft or IBM are seen as the U.S. beneficiaries of globalization, in fact nearly two-thirds of all exporting companies employ less than twenty people. It is among small businesses where the fastest growth in exports is taking place, particularly in the rapidly expanding service sector.

I’ll put it very bluntly: if you don’t have at least some firms doing business internationally from your downtown, you have a local economy in decline.

I said earlier that there is not one globalization but two – economic globalization and cultural globalization. If the US economy is going to benefit from globalization it can no longer be through a monolithic Americanization of the world’s economy. Economic globalization has widespread demonstrable benefits; cultural globalization ultimately diminishes us all. And it is cultural globalization – whether called Disneyfication or McDonaldization or westernization – that generates the most passionate outrage around the world.

This is a *New York Times* photograph of the president of General Motors standing in front of the Renaissance Center in Detroit. This phallic symbol building is now GM’s corporate headquarters, but is also the most

expensive failed attempt of downtown revitalization in history. You see him there with his foot on the globe. Well that may be General Motor's version of globalization but that kind of hegemony cannot be sustained much longer. The view that in Detroit or in New York or in Washington unilateral decisions can be made about what the world will buy is a myopia that cannot last. A permanent and prosperous economic globalization has to be a diverse globalization.

There's a reason critics invariably link cultural globalization with economic globalization: many multinational corporations are oblivious to the distinction. The Golden Arches are frequently the target of cultural globalization protestors. McDonald's CEO Jack Greenberg vehemently denies his company is trying to McDonaldize the world. But when asked why only one of his Board of Directors is a non-American (the exception being a Canadian) his response is, "I'd love to add somebody from outside the United States, but getting them to meetings six times a year is very complicated." Wait a minute! McDonalds can figure out how to get special sauce and sesame seed buns to 28,000 restaurants in 120 countries and can't figure out how to schedule six plane trips a year? No wonder Greenberg is not believed.

A decade ago, under great pressure from the United States, Japan opened up its markets to American retailers. Both U.S. businesses and Japanese consumers greatly benefited from that decision. But it wasn't enough for the major retailers to sell to Japanese customers, they insisted on selling based on their American model. So the Japanese were coerced not just to amend their trade laws, but also into changing centuries old land use

laws. Those regulations had protected agricultural land, precluded suburban sprawl, and maintained economically healthy city centers. But apparently Toys ‘r Us and its category-killer cousins didn’t have the imagination to adopt to a distribution system that would respect that local culture. Instead they insisted on big boxes, built at the edge of communities, surrounded by asphalt parking lots on land that had been farm ground for hundreds of years. Not surprisingly now Japan is trying to deal with the problems of sprawl, excessive automobile dependence, and declining downtowns.

But it is not just internationally that this sterility of the corporate imagination is adversely affecting the local culture and the local character. Whenever CVS or K-Mart comes to town and says, “We’re building here, like we build everywhere else, take it or leave it” or more recently “take it or we’ll sue” our town becomes more like Generica. It wouldn’t be quite so bad if the buildings were structures of quality, but they’re not. They are buildings planned from the beginning not to outlive their 15-year mortgage. City council members who go home every night and tell their kids “just say no” to drugs, can’t summon the courage to “just say no” to drug store chains. To ignore the reality of a globalized economy, or to allow our local culture to be subsumed to a globalized culture will make cities the victim rather than the beneficiary of globalization. To adopt economic globalization as a principle allows a downtown the opportunity to identify its own characteristics that can be competitive in the global marketplace and to establish measures that mitigate the adverse impacts that a globalized culture will carry.

Downtown’s strength is not homogeneity with everywhere else; the strength of downtown is its differentiation from anywhere else. The trip from

someplace to anyplace and the trip from anyplace to no place is far shorter than many would like to admit.

The Greeks had a phrase – *horror vacui* – the intolerability of no-place-at-all. Many places in America have approached that *horror vacui*. On a trip to California I picked up a copy of the Sacramento Bee one morning and read a local columnist – Steve Weigand – and here’s what he wrote. “And from the Brave New World of the Internet comes the following new term. “Generica: fast food joints, strip malls and subdivisions, as in ‘we were so lost in Generica, I didn’t know what city it was.’

Generica isn’t just a California phenomenon or just a city or suburban phenomena. Generica is happening everywhere and I would suggest it is at the heart of the challenge of economic development, smart growth and downtown competitiveness.

Differentiated downtowns mean diverse downtowns. But that diversity must not only be encouraged between downtowns but celebrated within downtowns. Why do we care to have diversity downtown? In part diversity, too, is related to globalization. We live in a world where there are far more Brown, Yellow, and Black people than White; where there are more Hindus, more Buddhists, and more Muslims, than non-Hispanic Christians. The percentage of the world’s population made up of people who look and in many cases think like most of the people in this room is falling every day.

When John Kennedy was President there were 3 billion people in the world. When my 27-year old daughter was born the world's population was 4 billion. The last time a George Bush was president there were 5 billion people in the world. Today there are over 6 billion. Every 143 days there are enough more people in the world to populate a country the size of Canada. Less than 10 percent of those new people look like me. Over the next 50 years 97% of all of the world's net population growth will be in Asia, Africa and Latin America.

The world entered the 21st Century with incredible diversity and yet: Christian Serbs were killing Muslim Albanians; Protestant and Catholic Irishman killing each other; Ethiopians fighting Eritrians; Hindus burning Sikh temples in India; Iraqis fighting Kurds; Iraqis again threatening Kuwaitis; Iraqis fighting Iranians; Indonesians crushing ethnic minorities in East Timor; French Canadians trying to disassociate themselves from English speaking Canadians; Chinese suppressing Tibetans; Russians attacking Chechnians; and on and on and on.

So in most of the world, diversity is not only not deemed desirable – in many places diversity is a death warrant. President Bush has said what the Taliban hate is our freedom. Maybe, but I would suggest it is a component of our freedom one step removed. The United States likes to argue that its contributions to world civilization are democracy and capitalism. Well, we've certainly improved both, but the Greeks invented democracy and the Scotch invented capitalism and the English were the first to implement it. I think our unique contribution to civilization is our tolerance of diversity. For 60 years in this country we have struggled over our racial and ethnic and

gender diversity. That struggle has not been easy nor is it over. But we have confronted diversity issues and we have at least begun to celebrate diversity, and that is nearly unique among the nations of the world.

There is a statistical inevitability of diversity worldwide. But it is true here in the U.S. as well. One in ten Americans were foreign born. Nearly four in ten is non-white. Much of the white population is Latino. By 2025 Hispanics will surpass African Americans as the largest minority group in America. Overall growth rates in the U.S. over the next 25 years will be less than 19%. But the African American population will grow 20%; the Asian population 21%, the Hispanic population 39%; the non-Hispanic white population will grow less than 15%. In California there are already dozens of no-majority communities, and there will be more no-majority states. That is to say no racial or ethnic group will constitute as much as 50% of the total population.

It is easy to dismiss this as a phenomenon of cities. But it is even true in rural America. Of all of the Mom and Pop motels in America, over fifty percent are owned by Asian Indians. Not too long ago I stopped late at night at an ATM machine in Eau Claire, Wisconsin. The second language option on the ATM wasn't Spanish or French or Chinese. It was Hmong. Today the students in the schools of Bowling Green, Kentucky speak twenty different languages. This is happening around the country in many Main Street communities and often the community is either unaware or in denial about what is happening.

But it is not just ethnically that we have to figure out ways of working in a context of diversity. The nature of what is a household is changing rapidly as well. Today there are far, far more one-person households than there are households made up of two parents with children at home.

I hate to tell you this, but there needs to be another issue central on the agenda of downtown advocates – and that's the issue of affordable housing for workers. Let me give you a real estate fact of life – you can't build new and rent cheap, it can't be done, unless you have deep public subsidies or you build crap. A major economic reason to stabilize and preserve close-in older neighborhoods – even if you think they are of nominal architectural or historic value – is so you preserve an inventory of affordable housing. Every time you see that old house being razed just realize that you've lost one more unit of affordable housing, and it will be very expensive to replace it. Why do we care? Over the next ten years around 20 million net new jobs are going to be created in America. And that's great. But nearly seven million of those jobs – 34 percent of the total, are going to pay less than \$20,000 per year. Now I suppose that has all kinds of political, social, and philosophical issues involved. But I have just one question – Where are those people going to live?

Some cities have a hot shot economic director who says, "Well, I understand how other places are going to have to worry about this affordable housing for workers business, but our town is going to be part of the new economy, the high tech economy, the cutting edge economy. And those are all high paid jobs so we don't have to worry about the affordable housing issue."

Well, Mr. "we're the new economy" economic development director, let me 'splain you something. In the next ten years for every new job for a computer programmer we'll need 7 clerical workers; for every chemist we'll need 43 cashiers; for every operations research analyst we'll need 73 janitors.

Furthermore the so-called new economy workers are driven by quality of life issues on where they want to live. Well quality of life means good childcare, and childcare workers make less than \$11,000 a year. Quality of life means nice restaurants – and waiters and waitresses, and we'll need 300,000 more of them over the next ten years, make \$12,730. Quality of life means clean and safe buildings, which require janitors and guards and they make less than \$16,000 a year. So high tech, high pay, new economy cities – good for you...but you're going to have to have a whole bunch of workers who don't get paid like you do. Those workers are going to need a place to live. So you better be insisting that older neighborhoods be protected and enhanced if for no other reason than to make sure your kid's nanny has a place she can afford to live.

What is a white middle-aged well-compensated heterosexual Republican-type male doing up here talking about diversity and affordability? The point is that businesses and governments and especially downtowns are going to have to learn to figure out ways to operate in this context of diversity and make sure there is an inventory of affordable housing not for sociological, political, ethical, or moral reasons, but for economic survival.

Addressing diversity is certainly going to be true in finding workers, but also our suppliers, intermediaries, elected officials, and most importantly customers. When shopping in the local store was the only option you had no choice but to deal with that local merchant even if he was racist or sexist or homophobic or distrusted teenagers or just provided lousy service. That is no longer the case. Internet shopping certainly isn't the answer to everything. And the internet is in no way a substitute for a downtown. But internet customers are not judged based on their race or age or sexual preference or religion or dress or country of origin. The internet will force every business to reconsider how its customers are treated. I don't believe that old saying that the customer is always right. But it is never, ever the customer's fault that they don't shop in our business. It is our fault. And it is the merchant that has to adjust, not the customer. The customer has far more options to buy a good or service and will quickly abandon the local business when she isn't treated as she has a right to be.

We can deny, if we choose, these factors – the internet, globalization, diversity of populations, need for affordable housing – if we wish, but that means we will be left behind in our business, in our job and in our downtown. There simply is no place that is immune to the rapid changes that are taking place in the world.

We have all long claimed that downtown is the only place in the community where the bank president and the homeless person come into direct contact. That is not only true but is a very important role for downtown to play. In fact I would argue that downtowns are the only place

in our society where we are learning diversity first hand. That used to happen in our public schools, but not anymore. They are more segregated by race, ethnicity and income than before Brown vs. the Board of Education. It doesn't happen in our churches. It doesn't happen in our neighborhoods. Nearly forty years after the passage of the Civil Rights Act and the Fair Housing Act the vast majority of our neighborhoods represent a very narrow slice of humanity, racially, economically, educationally, occupationally. The exception to that, by the way, is historic districts, which, across the country, are almost the only neighborhoods where a range of people across the demographic spectrum live side-by-side. The new town of Celebration in Florida, made a noble attempt at building a diverse neighborhood. Well six years later the population is eighty-eight percent white in a county that is fifty-four percent white and seven percent Hispanic in a county that is twenty-nine percent Hispanic. In fact it's not much of an exaggeration to say that if you don't live in an historic district you live in a segregated neighborhood.

One might say that there is diversity in a shopping center, but that is a single function place. As Elizabeth Anderson at the University of Michigan has written, "The triumph of malls over downtowns in many U.S. cities thus does not represent a fulfillment of consumer's sovereignty so much as a *dis*-enfranchisement of citizens. Malls provide only a simulacrum of complex genuinely public spaces, for private property owners retain the power to censor citizen speech and activity there." I think she is right about the shopping mall, but I think she inadequately recognizes what you are doing in your downtown, and that is giving renewed expression to citizen sovereignty. If we are going to learn the value of diversity it is going to be downtown.

But think about the other forms of diversity. Where is there more racial diversity than downtown? Nowhere. Where is there more economic diversity than downtown? Nowhere. But downtown's diversity goes far beyond those elements. Where is there a greater diversity of goods than in downtown? Notice I didn't say, quantity. In many places there is a greater quantity of goods at the regional mall. But where is there a greater diversity of goods? Nowhere. Where is there a greater diversity of services? Nowhere else is even close. Where is there a greater range of rental rates? The spread of rents from top to bottom at the shopping center might be 100 percent, and only then because Sears as the anchor is paying less for space than it costs the building owner to house them. The rent spread at the industrial park? At the so-called office campus? The range from top to bottom is less than 50%. In most downtowns of every size, however, it is typical to see both the most expensive rents in the entire city and some of the cheapest. A rent spread of 500% downtown isn't at all unusual. And that results in a wide diversity of economic activities.

The functional diversity of downtown is also vastly greater than anywhere else. A friend of mine, Bill Mosher, used to be president of the Downtown Denver Partnership. Bill identified twelve centers that downtown could be: business center, government center, arts and cultural center, entertainment center, housing center, tourism and convention center, education center, medical center, special events center, sports center, retail center serving those other markets, and heritage center. I have of course stolen Bill's list and I use it often. But its significance is how diverse downtown really is; how much the city center downtown is.

Biologists were the first to understand the importance of diversity to a healthy ecological system. But the words “ecology” and “economy” come from the same root, the Greek word *oikos* which means “house”. Now I’m about as far from a tree-hugging, snail darter saving environmentalist as you can get. But economic development analysts – based on the models of the ecologists – have discovered that what is necessary to keep our economic house in order is the same as it takes to keep our ecological house in order and that, in part, is diversity. That is why communities struggle not to be dependent on only copper mining or only automobile manufacturing or only tourism – the need for economic diversity.

So the concepts of diversity emerged from the environmental sciences but I don’t want to leave the subject of the environment quite yet. You know we all diligently recycle our Coke cans. It’s a pain in the neck, but we do it because it’s good for the environment. Now even though a quarter of everything dumped at the landfill is from construction debris, we don’t often think about the environment in relation to the demolition of historic buildings. But let me put it in context for you. Let’s say that today we tear down one small building like this in your downtown. We have now wiped out the environmental benefit from the last 1,344,000 aluminum cans that were recycled. We’ve not only wasted an historic building, we’ve wasted months of diligent recycling by the good people of your community. Now why doesn’t every environmentalist have a bumper sticker saying “Recycle your aluminum cans AND your historic buildings.” Either that or let us off the hook from having to sort those Coke cans every week.

The most forward-looking corporations are recognizing the importance of diversity in their workforce. Not to meet quotas but to spawn creativity; not to comply with some law but to effectively compete in the marketplace.

The world is a diverse place and will continue to be so. If one acknowledges the reality of the globalized economy then diversity will be an essential part of the strategy. Some of you may recall a few years ago when the protectionists, the labor unions, some reactionary corporate presidents and a few pop culture economists decried that Japan had effectively taken over the United States' position as the world's economic powerhouse. All was lost, they claimed, because we could no longer compete with Japan. Of course no such thing had happened. Japan happened to be on a speculative upswing in the business cycle while the U.S. was in a downswing. But I would suggest to you that there is a reason more important than business cycles, which will maintain U.S. economic strength in relation to Japan, and it is this issue of diversity. In Japan less than 2% of the population is foreign born and they haven't yet accepted Koreans as equals let alone fully integrating women in the workplace, or dealing with Caucasians, Blacks, or Latinos. In the long run you won't keep a customer who thinks you consider him inferior. The Japanese are at least a generation away from any meaningful diversity. Our having confronted and worked through diversity issues at home will maintain a competitive edge for American business in the global marketplace. Our main economic competitors in the next two decades will be Brazil and South Africa. Why? Because those are two countries that are systematically beginning to recognize their diversity as an economic asset, not a sociological liability.

But diversity is not just an economic imperative – it is a civic one as well. The former mayor of Missoula, Montana, Daniel Kemmis writes, “A good city...depends not only on imaginative people taking risks in pursuit of opportunities they see in particular locations, but also on those risk takers being widely diverse in their dreams and their manner of pursuing them.”

Downtown will also need to have a diversity of meanings. Those diverse meanings should include: aspiration, civic pride, prosperity, confidence, responsibility, sustainability, evolution.

If downtowns are to succeed in the challenge of economic globalization they will have to be competitive not only with other cities in their nation or region, but be competitive worldwide. However their success will be measured not just by their ability to foster economic globalization, but equally in their ability to diminish and mitigate cultural globalization

Well, forty-two minutes ago I told you that anyone who says they know the future of downtown is a captive of their own hubris. But the future of downtown and the importance of downtown are two different things. I don't know what the future of downtown is but here is what I am certain of:

If we are to have an effective environmental policy downtowns are important.

If we are to have an effective transportation policy downtowns are important.

If we are to have meaningful historic preservation downtowns are important.

If we want Smart Growth downtowns are not only important but irreplaceable.

If a local official wants to claim the treasured mantle of fiscal responsibility downtown revitalization is imperative.

If we want to avoid Generica downtown is essential to establish differentiation.

If the community is going to compete in economic globalization without being swallowed by cultural globalization downtown revitalization has to be central to the strategy.

If new businesses, start-up businesses, innovative businesses, creative businesses are going to be fostered and encouraged a community will need a downtown for that to take place.

If we are to have buildings with meaning, buildings with value, buildings with values, they will be downtown.

If we are to have public places of public expression we need a downtown.

If a community is going to embrace diversity instead of hide from it, celebrate diversity instead of deny it, then that has to take place downtown, it ain't gonna happen anywhere else.

Finally let me talk about those advocates of downtown revitalization and historic preservation. I have a hard time separating those two, by the way, for one simple reason – I cannot identify a single sustained success story in downtown revitalization in a city of any size anywhere in the country where historic preservation was not a key element in the process.

Regardless of the size of the community, those working for downtown revitalization and historic preservation represent the Real Urbanism.

They aren't the cute urbanism with a pleasing pattern of pastel porches; they are the challenging urbanism of complexity, conflict, and compromise.

They aren't the squeaky clean urbanism; they're the dirty, gritty, gum-on-the-sidewalk, graffiti-on-the wall urbanism.

They aren't the idealized urbanism conjured up by experts from elsewhere; they are the urbanism created daily by the barber, the crotchety building owner, the clueless merchant, and the ineffectual public official.

They aren't the new buildings that respect their context; they are the context.

Sometimes they call themselves the Downtown Partnership or the Preservation Association or the Main Street program. But I'll tell you what I think they are. I think they are the local chapter of the Congress for Real Urbanism. And I consider myself privileged to work with them and their colleagues around the world. I thank them for that, and thank you for allowing me to be here with you today.

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